

# Virginia Clean Water Revolving Loan Fund STORMWATER LOAN PROGRAM GUIDELINES

State Water Control Board

December 2010

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## **VRLF STORMWATER LOAN PROGRAM - ENABLING LEGISLATION**

During the 2010 session, the Virginia General Assembly amended *Chapter 22* of the *Code of Virginia* by adding §62.1-229.4. The new code section further expanded the activities of the Virginia Water Facilities Revolving Fund (the Fund) by allowing the State Water Control Board to authorize low interest loans from the Fund for construction of facilities or structures or implementation of best management practices that reduce or prevent pollution of state waters caused by stormwater runoff from impervious surfaces. According to the enabling legislation, VRLF financing for stormwater projects can only be available in fiscal years when loan requests for eligible wastewater treatment facilities designed to meet the state's water quality standards have first been satisfied, unless otherwise required by law.

The following is the text of the amendment to the Code of Virginia which enables the State Water Control Board to authorize stormwater loans when available in the Virginia Water Facilities Revolving Fund.

*§ 62.1-229.4. Loans for stormwater runoff control best management practices.*

*Loans may be made from the Fund, in the Board's discretion, to a local government for the purpose of constructing facilities or structures or implementing other best management practices that reduce or prevent pollution of state waters caused by stormwater runoff from impervious surfaces. The Board, in consultation with the Department of Conservation and Recreation, shall develop guidelines for the administration of such loans and shall determine the terms and conditions of any loan from the Fund. Unless otherwise required by law, loans for such facilities, structures, and other best management practices may be made only when loan requests for eligible wastewater treatment facilities designed to meet the water quality standards established pursuant to § 62.1-44.15 have first been satisfied. The Board shall give priority (i) first to local governments that have adopted a stormwater control program in accordance with § 15.2-2114, (ii) second to projects designed to reduce or prevent a pollutant in a water body where the water body is in violation of water quality standards established pursuant to § 62.1-44.15, (iii) third to local governments subject to an MS4 discharge permit in accordance with § 10.1-603.2:2, (iv) fourth to local governments that have adopted a stormwater management program in accordance with Article 1.1 (§ 10.1-603.1 et seq.) of Chapter 6 of Title 10.1, and (v) fifth to all others.*

The Department of Environmental Quality, Construction Assistance Program, on behalf of the State Water Control Board, has developed these guidelines and will administer the VRLF Stormwater Loan Program.

## **BACKGROUND AND PURPOSE**

Since 1987, the Virginia Water Facilities Revolving Loan Fund (Fund) has been providing low interest loan funding for water quality improvement projects throughout the Commonwealth. Funds are currently provided to local governments, public service authorities, agricultural producers, partnerships, and corporations for a variety of project types. Loan repayments are circulated back into the Fund to create a dedicated source of revenue available for future clean water projects.

The State Water Control Board (Board) has the authority to administer the policy aspects of the Fund, determining who receives funds, at what interest rates, and under what terms. The Board has delegated responsibility for management of the day-to-day operations of the Fund to its staff in the Department of Environmental Quality (DEQ). The Virginia Resources Authority (VRA) serves as the financial manager of

the Fund.

The purpose of the Virginia Stormwater Loan Program is to provide a long term source of low interest financing for constructing facilities or structures or implementing best management practices that reduce stormwater runoff in order to improve and/or protect the water resources of the Commonwealth.

#### **FUNDING AVAILABILITY**

No special appropriation has been budgeted to begin this funding initiative. Therefore, DEQ will be making funding available from existing revenue through the Virginia Water Facilities Revolving Loan Fund Program (VRLF). As required by law, the Board (SWCB) will authorize stormwater loans only in those fiscal years when loan requests for eligible wastewater treatment facilities designed to meet the state's water quality standards have first been satisfied, unless otherwise required by law. However it is important to note that, starting in federal fiscal year 2010, EPA began requiring that a certain portion of the annual funding for the VRLF go to green reserve projects. Since most eligible stormwater projects meet the Green Project Reserve (GPR) criteria, it may be necessary to fund stormwater projects in fiscal years when all the wastewater facilities' projects have not been satisfied (under the "unless otherwise required by law" provision), in order to meet the GPR requirement.

#### **APPLICATION SUBMITTAL TIMEFRAME**

Applications for VRLF Stormwater Loans will be accepted once each year, concurrent with the program's wastewater facility improvement loan applications, which normally occurs in July. The completed application form and all necessary support documentation should be mailed to:

**Mr. Walter A. Gills  
Construction Assistance Program  
Department of Environmental Quality  
P.O. Box 1105  
Richmond, Virginia 23218**

#### **ELIGIBLE APPLICANTS**

The following governmental bodies and holders may apply for VRLF Stormwater Loans.

- ☐ Virginia county, city and town governments
- ☐ Virginia municipal public service authorities

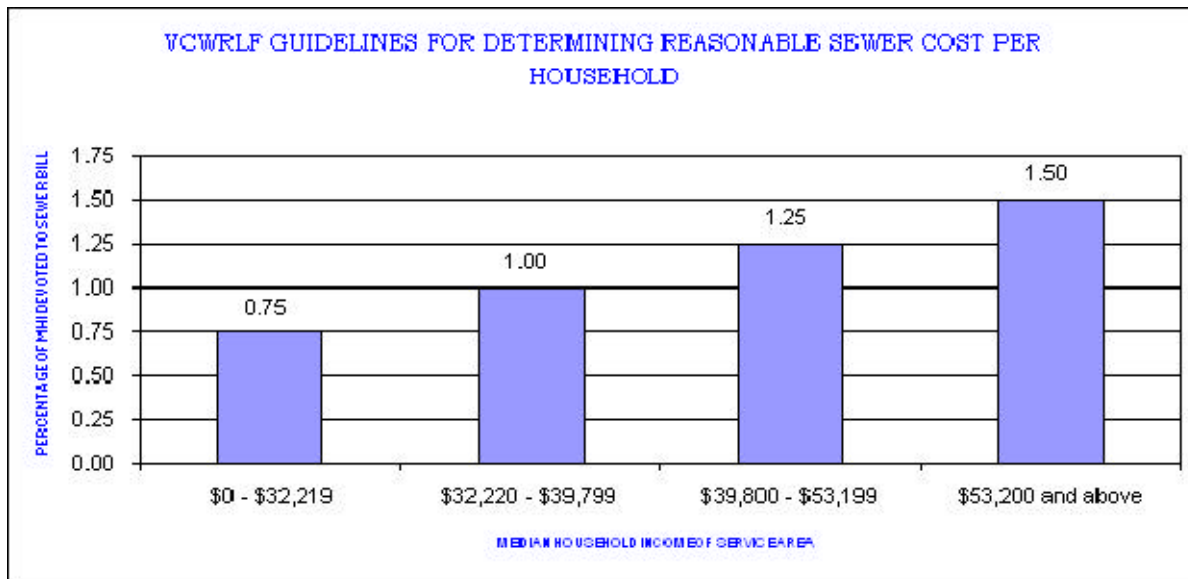
#### **LOAN INTEREST RATE AND TERMS**

Virginia's Revolving Loan Program allows for loans to be made to communities at rates equal to or below current market interest rates. DEQ, following consultation with VRA, establishes the interest rate for each individual loan.

All applicants are initially considered for an interest rate at the program's ceiling rate for that year. The VRLF ceiling rate is adjusted to be 1% below municipal bond market rates. Interest rates below the ceiling, and down to a no-interest loan, are considered where a financial hardship situation exists and where the project is necessary to resolve documented water quality problems. Since few Virginia localities have established stormwater control programs (including means of establishing dedicated revenue sources) DEQ's initial evaluation of hardship will be based on the applicant's existing monthly residential sewer charges in relation to their affordable cost per household. Guidelines for determining affordable cost per household are shown below. The loan recipient will be entitled to an additional interest rate reduction of 1% below its established rate from the above determination if the local government has adopted a stormwater control program in accordance with 15.2-2114 of the Code of Virginia. The loan must be fully

amortized not later than twenty years after project completion.

#### DEQ's Guidelines for Establishing Reasonable Sewer Costs



Starting in federal fiscal year 2010, EPA began allowing a portion of the VRLF funding to be provided in the form of principal forgiveness (PF), which is similar to a grant. Currently, this PF allowance is determined through the annual federal appropriation bill. To the extent that principal forgiveness is allowed and available in any fiscal year, stormwater loans will be considered for principal forgiveness up to a maximum of 50% of each loan amount. Preference in this regard will be given to localities that have adopted a stormwater control program in accordance with 15.2-2114 of the Code of Virginia.

The authorized interest rate and the loan terms will remain in effect for a 12 month period following loan approval by the SWCB. At the sole discretion of the DEQ, the authorization period can be extended after receipt of a written request from the loan recipient. However, the interest rate would be subject to recalculation based on banking and market conditions that exist at the time.

#### **ALLOWABLE LOAN AMOUNT**

The minimum Stormwater Loan amount is \$50,000 and there is no maximum loan amount established. Loans may be made for 100% of the eligible costs of the project.

#### **LOAN ELIGIBLE EXPENSES**

Virginia's program allows for any reasonable and necessary costs associated with the stormwater management project, including all associated planning and design costs. Loan proposals must be supported by a need which addresses an existing stormwater pollution problem or prevents a future environmental problem from stormwater. Loan requests received which are solely supported by the economic development needs of an area or an entity may be excluded from funding participation. DEQ may reduce loan eligibility, and/or the scope and size of a project to ensure the greatest financial and environmental benefit to as many communities as possible. Expenses incurred on an approved project prior to the execution of a loan agreement are also eligible costs provided they are necessary and attributable to the project.

### **INELIGIBLE LOAN COSTS**

The following expenses cannot be included when determining the allowable amount of a VRLF Stormwater Loan.

- ❑ "IN KIND SERVICES"
- ❑ Costs for which any federal, state, local or other grant funds will be provided, unless those funds will all be paid back to the VRLF immediately upon receipt.
- ❑ Administrative costs such as salaries, rent, equipment, and/or travel
- ❑ Costs to operate or maintain the project.

### **LOAN FUNDING PRIORITY RANKING**

In years when funds are available for Stormwater loans, DEQ will prioritize applications for loan assistance on a statewide basis. Applications for stormwater projects which are expected to provide the greatest water quality benefit will be given the highest funding priority. The funding priority of applications for stormwater projects is determined by demonstration of recognizable reduction in NPS pollution of Virginia waters.

## **TOTAL POSSIBLE SCORE 600 PTS**

### **I. TARGETED RECIPIENT/PROJECT TYPES (MAXIMUM 450 pts)**

**Note: These categories are additive.**

1. Local governments that have adopted a stormwater control program 175 points  
in accordance with § 15.2-2114.
2. Projects designed to reduce or prevent pollution in a water body where the water body is in violation of water quality standards established pursuant to § 62.1-44.15 (choose one).

Dominant/Exclusive Source	125 points
One of Several Sources	100 points
Minor Source	75 points
No Net Pollutant Reduction	0 points
3. Local governments subject to an MS4 discharge permit in accordance with 100 points  
§ 10.1-603.2:2.
4. Local governments that have adopted a stormwater management program 50 points  
in accordance with Article 1.1 (§ 10.1-603.1 et seq.) of Chapter 6 of Title 10.1.

### **II. FISCAL STRESS-(COLG Composite Stress Index) (MAXIMUM 100 pts)**

Points for county and city applicants will be taken directly from the latest available Commission on Local Government composite fiscal stress index. Town applicants will be assigned the points of the surrounding county. Any applicant with a project serving more than one jurisdiction (such as public service authorities or towns located in two counties) will be assigned a weighted average from the component scores.

### **III. READINESS-TO-PROCEED (MAXIMUM 50 pts)**

- Plans and specifications approved by local review agency 50 pts

Plans and specifications submitted to local review agency	40 pts
Plans and specifications under design/to be completed w/in 4 months	25 pts
Plans and specifications being prepared	10 pts
Preliminary engineering report/planning complete	5 pts.